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Arnold & Porter

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October 18, 2018

Honorable Asterio R. Takesy
Chairman, Joint Committee on Compact Review and
Planning
Government of the
Federated States of Micronesia
PO Box 2178
Kolonja, Pohnpei FM 96941

Re: Representation of the Federated States of Micronesia

Dear Mr. Secretary:

We are very pleased that the Government of the Federated States of Micronesia (the "FSM") has engaged Arnold & Porter Kaye Scholer LLP, a Delaware limited liability partnership (the "Firm"), to provide legal and advisory services to the Government. The Firm's initial engagement with the Government has been for a two-year period beginning in October 18, 2016, under the terms of the attached Engagement Letter (the "2016 Engagement Letter").

I write to express the Firm's interest in extending the engagement for an additional three-year term beginning October 18, 2018. With the exception of the matters discussed below, this letter, when signed by both parties, will constitute our renewal of our October 2016 Engagement Letter for a three-year period under the same terms as those in that Engagement Letter.

- The FSM Government and the Firm agree to extend the 2016 engagement for an additional three-year period, beginning on October 18, 2018.
- As reflected in Section 1 of the 2016 Engagement Letter, the Firm's monthly fixed fee retainer of \$35,000 under the 2016 Engagement Letter was subject to an agreed adjustment at the end of the initial two-year period. The FSM and the Firm have agreed to extend our engagement for an additional three-year period beginning on October 18, 2018. During the additional three-year period, the Firm's monthly fixed fee retainer will be \$50,000. Factors justifying the adjustment include (i) the anticipated increase in the Firm's workload in support of the FSM's preparations for negotiations with the United States regarding 2023, (ii) the anticipated schedule of negotiations with the United States, (iii) the anticipated increase in contacts with Congressional Members and staff in support of the FSM interests on Capitol Hill, and (iv) the anticipated increase in research, meeting, and travel time associated with these efforts. As with the 2016 Engagement Letter, the monthly fee agreed to in this letter may be adjusted at any time by joint agreement, including in connection with any extensions of this agreement, and at a minimum will be reviewed by the parties in September 2020.

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- In addition to the monthly fixed fees, the Firm will bill the FSM for expenses outlined in Section 3 of the 2016 Engagement Letter, including travel costs. At this time, \$200,000 is available for these expenses during the three-year period of this extension. The parties agree to consult in the future if it appears that the Firm's actual and necessary expenses in the discharge of its obligations under the engagement may need to exceed \$200,000.

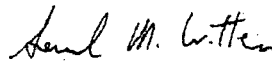
The 2016 Engagement Letter provides that "Requests to the Firm for work to be performed under this agreement for and on behalf of the FSM Government can only be submitted to the Firm by the Secretary of Foreign Affairs and the Secretary of the Department of Justice, or such person as they may specifically designate." This sentence shall be modified to read "Requests to the Firm for work to be performed under this agreement can only be submitted to the Firm by the Chairman of the Joint Committee on Compact Review and Planning (JCRP) and those offices and persons as the JCRP Chairman may specifically designate."

The 2016 Engagement Letter also provides that the Firm shall prepare and submit on a quarterly basis to the Secretary of Foreign Affairs and the Secretary of the Department of Justice a report of work performed under this agreement. This sentence shall be modified to read "The firm shall prepare and submit on a quarterly basis to the Chairman of the Joint Committee on Compact Review and Planning (JCRP), with copies to the Secretary of Foreign Affairs and the Secretary of the Department of Justice, a report of work performed under this agreement."

The 2016 Engagement Letter also provides in Section 4 that "the Firm shall provide copies of this statement (for Fees and Expenses) to both the Secretary of Foreign Affairs and the Secretary of the Department of Justice." This sentence shall be modified to read "The Firm shall provide a copy of this statement to the Chairman of the Joint Committee on Compact Review and Planning (JCRP), with a copy to the Secretary of Finance."

Once again, we appreciate the opportunity to work together.

Sincerely,



Samuel M. Witten


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ACCEPTED AND AGREED TO:

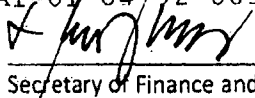
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Government of the Federated States of Micronesia

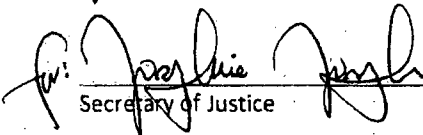


Additional signatures for the Federated States of Micronesia

A1-01-04-92-00586-00/8310 = \$1,800,000.00 *10/30/18*

A1-01-04-92-00586-00/8310 = \$200,000.00 *10/30/18*



Secretary of Finance and Administration

Secretary of Justice